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Outlook '74

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Economic Research Service U.S. Department of Agriculture

RISING COTTON ACRES FOLLOW DEMAND, PRICES

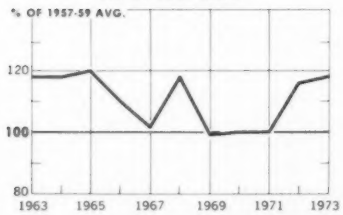
With increasing fiber demand and the recent high cotton prices, cotton farmers could plant nearly 2½ million more acres this spring. Since each acre harvested is expected to yield roughly one bale, the 14.7 million acres farmers intend to plant could result in a cotton production moderately exceeding next season's consumption needs.

Whether or not farmers actually go above or below their reported intention figures is still an open question. There are plenty of uncertainties.

The Texas High Plains need additional rain. Supplies of fuel, chemicals, machinery, and particularly fertilizer are tight through the Cotton Belt. Worse, cotton prices are unstable, and have dropped since January. These may be signals for some switching to competing crops. Yet, actual plantings have exceeded intentions in 2 out of the past 3 years.

Whatever the exact figure, expanding cotton acreage may include some less productive land, and this could result in lower yields than last year's near-record 519 pounds per acre harvested.

U.S. COTTON YIELDS



Textile sales jumped last year with rising consumer incomes. U.S. mills used 7 percent more fibers of all types and textile imports remained large. So Americans used nearly 3 pounds more fiber each.

Cotton didn't share in this increase because supplies of cotton were tight and prices record high. But the situation may change in 1974, and cotton use by American mills could pick up. For the first time in 3 years, daily mill use of cotton picked up this January and February. The question now is: Will the enthusiasm that consumers developed for textiles last year be dampened this year by higher clothing price tags?

While cotton use at home may rise a little, look for slightly smaller cotton

WHAT GRAIN STOCKS SHOW

Each quarter USDA gauges the level of grain and soybean stocks on and off U.S. farms. The reports are one of our main indicators of crop use during the season. The April 1, 1974, stocks survey showed especially heavy usage of 1973's record harvests. But it also laid to rest any fears that we would run out of wheat before the huge new crop comes in this summer.

Usage through April 1 was even larger than the heavy volume that had been anticipated by ERS forecasters. Export levels of both wheat and feed grains for this period were about in line with expectations, but domestic feeding use of both wheat and feed grains was higher than forecast--2 percent over a year earlier for feed grains. This was a surprise in view of the lightly stocked feedlots we've been seeing lately.

However, market weights of both cattle and hogs have been unusually heavy and poultry meat output has been up, partly explaining the heavy feed use. Apparently producers are holding animals on feed longer than usual in hopes of better prices. When the overweight cattle and hogs now in lot have moved to market and with slowing cattle placements on feed, domestic use of feed may drop during the summer quarter.

April 1 stocks of soybeans were about 64 million bushels less than the anticipated figure, which was based on carryover plus the 1973 crop less crush and exports. An increase in soybeans in transit this April 1 as compared with last September 1 must be taken into consideration since these are not included in the count of stocks. About 45 percent of the April 1 stocks still remained on farms.

Crop	Stocks level April 1, 1974	Implied disappearance, harvest through April 1:	
		1974	1973
	Million bushels		
Wheat ...	550	1,601	1,482
Corn	2,852	3,501	3,360
Soybeans .	742	884	839

exports from the 1974 crop. During 1973/74 they are likely to total around 5.7 million bales. They could drop to 5.5 million for 1974/75. These high shipment levels reflect failure of foreign producers to keep up with consumption needs and the desire of many nations to rebuild depleted cotton stocks.

High Prices/Record Income

During August-December 1973, farm prices of upland cotton averaged 44.1 cents a pound, compared with 27.3 cents a year earlier, and highest since the Civil War. Though prices have weakened some recently, they are still nearly double year-earlier levels. The downturn in prices apparently comes from news of big intended 1974 cotton plantings plus a realization that any limits on man-made fiber output will be mitigated as oil supplies recover from embargo levels.

With high prices for the 1973 crop, producers received an extra $1 billion from sales. Adding in Government payments of $700 million, income from cotton lint came to a record $3½ billion.

A Quality Crop

One factor favoring prices was the exceptional quality of 1973 cotton. In addition to giving yields a shot in the arm, favorable growing weather netted an unusually large proportion of high quality cotton throughout the Cotton Belt. Indexes of average cotton length, average micronaire reading, and grade all increased over 1972's product.

CALENDAR

May/June Release Dates
Economic Research Service
Statistical Reporting Service*

Agricultural Supply and Demand Estimates Report	May	9
Demand and Price Situation		10
Marketing and Transportation Situation		13
Cattle on Feed Report*		14
Feed Situation		16
Wheat Situation		20
Cotton Situation		23
Agricultural Prices Report*		31
Crop Production Report*	June	13

POULTRY PRICES OFF

Prices for broilers, turkeys, and eggs in recent weeks were near or below most producers' growing and processing costs. The cost of many items used in poultry and egg production continues upward but feed prices have eased. The level of poultry and egg production during the balance of 1974 will be heavily dependent on feed costs, which have recently accounted for around 75 percent of total production costs for poultry and eggs.

Egg prices are expected to average near year-earlier levels this spring before rising seasonally in the summer and fall. However, summer prices will average well below the high levels of last summer. Increased demand for eggs for breaking will help support prices in coming months.

Lower feed prices in coming months could improve the profitability of *broiler* production and result in expanded output. Wholesale broiler prices this spring will rise but not quite match the 42 cents a pound of April-June 1973. Summer broiler prices may rise only slightly from spring levels but average well below a year earlier.

Turkey meat output for the first half of 1974 will be substantially larger than a year earlier. Although seasonally small in number, a third more turkeys moved through Federally inspected plants during January-March than in the like period of 1973, and average weight of bird marketed was up 5 percent. Turkey poult production, 4-6 months earlier, indicates April-June marketings more than 15 percent above last spring. Marketings may slip below a year earlier by late summer. Hatchings for fall marketings about match 1973 levels.

Large supplies of turkey and declining prices for other meats have pushed turkey prices down sharply in early 1974. Cold storage stocks on April 1 were nearly double a year earlier. Prices may have reached their low. They probably will strengthen seasonally during the summer and autumn but stay well below 1973 levels.

WOOL—WHERE TO NOW?

While the usual trends of dropping sheep numbers and less wool output continued last year, prices took an unusual upturn. Now the questions are, how well will prices hold up, and how will wool fare in the boisterous 1974 textile marketplace, with all its price and energy-related upheavels?

This year opened with 13.9 million stock sheep and lambs on 152,000 U.S. farm—7 percent fewer sheep and 6 percent fewer farms that a year before. Raw wool output, which had dropped 8 percent in 1973, will be down again for 1974.

Higher raw wool prices were primarily responsible for a 21-percent drop last year in apparel wool use by American mills and a 46-percent plunge for carpet wools. But total fiber use by these mills was off only 3 percent, as man-mades picked up much of what wool lost.

U.S. raw wool prices for the balance of 1974 are expected to be firm around current levels, which are near the incentive rate of 72 cents a pound, grease basis, for shown wool. Prices had doubled in 1973, to average 83 cents a pound, but have eased this winter and spring.

Firm Potato Prices

Growers received $7.30 per hundredweight for potatoes in March, almost double a year before. Spring potato production, forecast up 7 percent from 1973, is not likely to shake down prices much. April 1 stocks were about a tenth below the low level of last April, and processing use of potatoes is running ahead of last year.

In March, growers said they would put in only 1 percent more acreage for the big fall crop--just as they did last year. Output probably will increase more than this because last year's yields were down. However, it's believed that production would have to top last year's fall output by more than 5 percent to drop prices much.

VEGETABLES: LIGHT AT TUNNEL'S END

This year promises at least partial relief from some of the extreme conditions that have dogged the vegetable industry for the past 2 years. Weather has been better, supplies of fresh vegetables including onions are more generous, and processors may do some inventory rebuilding next fall. Dry bean growers are sharply boosting their acreages. Even sweetpotato people are shedding their history of sagging acreage for a 1974 expansion. And the Cost of Living Council has lifted the lid on processed vegetable prices.

The lidlifting comes at a time when stocks of canned vegetables are the lowest in years, and processors are essentially biding their time now until the new pack gets underway. In the last few months they have been raising prices in small but frequent increments, and are most likely to keep doing just that for the remainder of this season. In fact, several big firms have told the CLC they would refrain from major price bursts when ceilings came off.

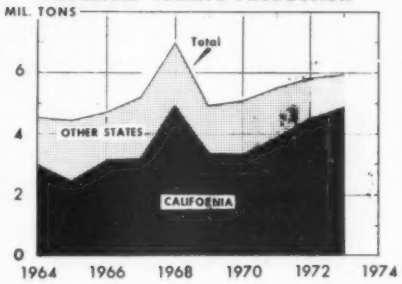
April 1 stocks of frozen vegetables were one-fourth larger than the light stocks of the year before, while canned goods remained tight. Prospective acreages of leading 1974 processing crops reflect the situation:

Crop	Intended 1974 acreage, change from 1973
	Percent
Limas, canning	+22
Limas, freezing	-7
Snap beans, canning	+9
Snap beans, freezing	-4
Green peas, canning	+10
Green peas, freezing	+3
Sweet corn, canning	+6
Sweet corn, freezing	-6
Tomatoes, canning	+19
Cucumber, pickling	+1
Cabbage, kraut (tonnage)	+36
Beets, canning	+9

Some sharp price increases for canned vegetables are very likely in store, but they will come when the 1974 pack hits the supermarkets next fall and winter. The situation is unusual.

Growers are posting some dramatic acreage plans for boosting vegetable output for the new pack. But prices will be much higher because contract prices will be influenced by higher fuel, seed, and other production costs, and farmers in the major vegetable processing areas have found several attractive crop alternatives this season.

PROCESSED TOMATO PRODUCTION



Tomatoes: Domestic tomato acreage for spring harvest, concentrated in Florida, will be substantially less this season. With larger plantings in Alabama and Arkansas but less in South Carolina and Texas, total spring acreage estimated 14 percent less than 1973.

Cabbage: Winter cabbage acreage estimated 3 percent smaller than a year earlier. . .Yet total shipments through March up 4 percent. . .Prices low since mid-February. Despite a 10-percent acreage cut, spring cabbage production may be heavy in major areas due to mild winter. . .Prices as low as 1½-2 cents/lb. without container. . .Distress levels for many growers, given today's costs.

Lettuce: Generous supplies from sharply expanded acreage. Shipping point prices as low as $1.50-1.75/crate of 24 in late March. Spring supplies: slightly less than a year earlier; though California's acreage is up, Arizona's is down by nearly half.

Carrots: Shipping point prices low through winter. California shipments heavy since the beginning of this year but cold wet weather has reduced Texas crop. March prices, 5½ cents/ 1 lb. bag, averaging below year before. . .A lot moved to freezers this winter.

Spring acreage estimated 5 percent less but tonnage projected up 8 percent with normal yields. . .Fresh market prices weak.

Onions: Wholesale prices on more even keel this season. . .Supplies available again from usual sources. . . Mid-March f.o.b. shipping-point prices to growers averaged 7 cents/lb. versus 17 cents a year before. Texas spring onion crop forecast 18 percent more than 1972 or 1973. . .Summer onion crops: growers plan to expand acreage 8 percent. With average yields, expect downward pressure on late summer prices.

Celery: Good yields, generous supplies, and lowest grower winter prices in 3 years. Late March shipments up moderately.

Sweet Corn: Prospective acreage for spring harvest is 13 percent less this year. Everglades harvest peaks during May. Grower prices averaged about the same as a year earlier, but dropped in late March.

Cantaloups: A 19-percent smaller spring acreage, result of labor problems and sharp upturn in costs. . . Imports (reported as truck shipments) running 30 percent over year ago.

For factual information about important food and farming topics, check this spot each month. It highlights recent reports on the issues, chosen for brevity and clarity. To get a copy of the report, clip and send to address indicated with your name, address, and zipcode.

America's Foreign Agricultural Trade, 8 pp. This pamphlet corrals current facts about farm trade: Our top export products and import products; top customers and import sources; export trends and growing sales to trade bloc countries. An important section spotlights the benefits both for American farming and for the U.S. balance of payments.

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FARM OUTPUT IS RISING AROUND THE WORLD

Foreign markets are the key to today's agricultural situation. Every spring ERS makes a global survey of farming in other regions, to gauge both last year's output and this year's prospects. Conclusions for four major regions are below; summaries for Africa, West Asia, and Communist Asia will appear next month.

Farm production advanced in 1973 in the Far East and Oceania and reached record or near-record levels in the Soviet Union, Western Europe, and the Western Hemisphere. Good grain crops in all boosted total agricultural output.

Farm production promises to gain further in these regions in 1974, spelling easing demand for our exports.

In the *Soviet Union* 1973 farm output rose 14 percent over the low level of 1972. Exceptionally good harvests of major crops were made possible by favorable weather and soil moisture supplies. Total crop production rose nearly a fourth. Growth in livestock production was limited by the short supply of feed in early 1973.

Grain production reached a new high of 222.5 million tons. Wheat also set a new record--109.7 million tons. The 1974 grain crop is forecast to drop 8 percent to 205 million tons.

The 6.4-percent increase in Soviet farm production planned for 1974 seems optimistic. Crop production should fall somewhat short of the record 1973 harvest unless weather is again especially good. Therefore, livestock output would have to rise steeply to meet the goal for total farm production.

Soviet agricultural trade in 1973/74 is expected to return to a more normal pattern, and imports of U.S. farm products should drop sharply. About 7 million tons of U.S. grain are scheduled to be shipped to the USSR in 1973/74. It is likely that the Soviets will purchase significant quantities of U.S. soybeans this year. However, if adverse weather should reduce their grain and oilseed crop output, they may buy additional U.S. grain and soybeans in the latter part of 1974.

Agricultural production in *Western Europe* was at an alltime high in 1973.

Further increases in crop and livestock production are expected in 1974. Grain area should expand slightly and, with favorable weather, grain output should rise. However, yields could be affected if high fertilizer prices limit use. Sugarbeet output is expected to increase. Beef production should be up at least 5 percent as a result of the herd buildup which took place in 1972 and 1973.

The value of Western Europe's agricultural trade rose about a third, primarily because of surging world prices. U.S. agricultural exports to the area increased by two-thirds to $5.6 billion. This strong demand for U.S. agricultural commodities should continue in the near future, although there may be some falling off from the current high levels of volume and value.

Farm output in the *Western Hemisphere* (excluding the United States) returned to near-record levels in 1973. Canada experienced a moderate recovery from the reduced farm production of 1972, while improved growing conditions in Latin America pushed output there to peak levels.

Trade between the United States and the rest of the Western Hemisphere rose to an alltime high in 1973. U.S. farm imports from the region rose from $2.9 billion in 1972 to $3.5 billion, and exports rose from $1.7 billion to $2.7 billion.

The value of U.S. farm exports to the Western Hemisphere countries is expected to decline in 1974. Wheat exports may remain near the 1973 level due to a continuing rise in demand and a reduction in quantities available from Argentina. However, the record feed grain and oilseed crops harvested in late 1973 in Mexico and Central America will reduce their import needs.

Agricultural output in the *Far East and Oceania* advanced about 7 percent in 1973, primarily because of better rice crops. The Far East produced 11 percent more rice than the drought-reduced crop of 1972. Food grain crops in India and wheat production in Australia were also larger.

The region's farm output should continue to increase in 1974, barring unfavorable weather. However, a fertilizer shortage could lower anticipated yields.

India's 1974 grain production is rising thanks to rice and grains. The wheat harvest, in full swing, is estimated 6-8 million tons below the 28 million tons originally forecast, and thus under 1973's 25 million tons. A dry winter and a shortage of fuel for powering irrigation pumps were chief causes; short fertilizer supplies and an outbreak of rust also hurt the crop.

The Far East and Oceania imported $5.5 billion in U.S. farm goods in 1973, nearly 87 percent more than the previous year. Most of the gain resulted from substantially higher prices. Top-valued commodities were wheat, soybeans, corn, cotton, grain sorghum, rice, and tobacco. Japan was again our major Far East market for farm goods, taking over half of total U.S. exports to the region in 1973. Other large markets were South Korea, Taiwan, India, Indonesia, South Vietnam, and Hong Kong.

U.S. farm exports to the Far East and Oceania should expand in 1974, although less rapidly than in 1973. Exports to Japan should remain about the same.